

EXECUTIVE OFFICES

INTERMOUNTAIN GAS COMPANY

555 SOUTH COLE ROAD • P.O. BOX 7608 • BOISE, IDAHO 83707 • (208) 377-6000 • FAX: 377-6097

RECEIVED

2008 JUL -9 PM 4:48

IDAHO PUBLIC UTILITIES COMMISSION

July 9, 2008

Jean Jewell
Idaho Public Utilities Commission
472 W. Washington St.
P. O. Box 83720
Boise, ID 83720-0074

RE: Joint Notification by Intermountain Gas Company and MDU Resources Group, Inc.

Dear Jean:

Attached for filing with the Idaho Public Utilities Commission are the original and seven (7) copies of a Joint Notification by Intermountain Gas Company and MDU Resources Group, Inc. regarding a change in control of Intermountain Gas Company.

Please acknowledge receipt of this filing by returning a stamped copy of this letter for our Company files.

If you have any questions regarding the attached, please contact me at 377-6168.

Very truly yours,



Michael P. McGrath
Director, Gas Supply &
Regulatory Affairs

MPM/sc

cc: Bill Glynn
Paul Powell
Mike Rich
Donald Ball

RECEIVED

2008 JUL -9 PM 4:48

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of a Joint Notification by)
Intermountain Gas Company and MDU) NOTIFICATION OF CHANGE IN
Resources Group, Inc. of Change in) CONTROL OF INTERMOUNTAIN GAS
Control of Intermountain Gas Company) COMPANY

Intermountain Gas Company ("Intermountain ") and MDU Resources Group, Inc. ("MDU Resources"), herein after referred to as "the Parties," hereby notify the Idaho Public Utilities Commission (the "Commission") that on July 1, 2008, MDU Resources agreed to acquire from Intermountain Industries, Inc., effective upon closing of the transaction, all of the outstanding shares of capital stock of Intermountain Gas Company. Intermountain would thereafter become a wholly owned subsidiary of MDU Resources.

Intermountain Gas Company and MDU Resources submit this Joint Notification to advise the Commission regarding the stock acquisition transaction; the identity and capability of the buyer, MDU Resources, to acquire and operate Intermountain; and the manner in which MDU Resources intends to exercise its ownership of Intermountain. The Parties respectfully request the Commission complete and advise the Parties regarding its review of the Joint Notification by September 1, 2008 so that the closing of the transaction can occur on or about October 1, 2008.

NOTICES

Persons authorized on behalf of Intermountain to receive notices and communications with respect to this Joint Notification are:

Michael P. McGrath
Director
Gas Supply & Regulatory Affairs
Intermountain Gas Company
555 S. Cole Road
Boise, ID 83709
Tel.: (208) 377-6168
Fax: (208) 377-6097
MMCGRATH@intgas.com

Persons authorized on behalf of MDU Resources to receive notices and communications with respect to this Joint Notification are:

Donald R. Ball
Vice President – Regulatory Affairs
Montana-Dakota Utilities Co.
400 North Fourth Street
Bismarck, ND 58501
Tel.: (701) 222-7630
Fax: (701) 222-7606
don.ball@mdu.com

I. DESCRIPTION OF TRANSACTION

On July 1, 2008, MDU Resources and Intermountain Industries entered into the Agreement. Pursuant to the Agreement, upon the closing of the transaction, MDU Resources will purchase all of the issued and outstanding shares of Intermountain.

Closing of the acquisition is expected to occur on or about October 1, 2008 subject to satisfaction of closing conditions stated in the agreement. The Agreement contains typical termination clauses including a conditional provision that the transaction may be terminated if the acquisition is not consummated by December 31, 2008, subject to a qualified extension.

II. OTHER NOTIFICATIONS AND FILINGS

MDU Resources and Intermountain Industries will also make notification filings with the United States Department of Justice and the Federal Trade Commission pursuant to the Hart-Scott-Rodino Antitrust Improvement Act of 1976 ("HSR Act"). In addition, MDU Resources must obtain approval of the transaction from the regulatory commissions in two of the seven state jurisdictions in which it or its public utility subsidiary currently operates as a public utility; North Dakota and Minnesota.

III. REASONS FOR TRANSACTION

A. Intermountain Industries' Reasons for the Transaction.

Intermountain Industries concluded the size of Intermountain in relation to the industry, given the continuing consolidation within the natural gas distribution industry, made the transaction advisable. Intermountain Industries believes MDU Resources will continue Intermountain's history and commitment to providing safe and reliable service to its utility customers along with the continued commitment to be a strong corporate citizen in the communities served by Intermountain. MDU Resources' size and financial strength will enable Intermountain to have adequate capital for utility operations and gain potential cost efficiencies to meet expansion requirements as well as provide the potential for expanded career paths for its employees and the ability to compete for highly qualified management positions as a part of a larger company.

B. MDU Resources' Reasons for the Transaction.

Intermountain is a growing utility that fits MDU Resources' plan to grow its utility business to take advantage of operational efficiencies and synergies.

Intermountain is engaged in the distribution and sale of natural gas to residential, commercial and industrial customers in Idaho which are strategically located in relation to existing utility operations of MDU Resources. Currently, Intermountain provides services to approximately 300,000 customers in service areas similar in size and type to those currently served by MDU Resources. In the last five years, Intermountain's customer base grew at a pace of three to five percent, which is significantly greater than the national average and higher than the growth rate of MDU Resources' historic service areas. MDU Resources believes Intermountain will continue to experience strong customer growth in the future.

Intermountain's management has focused its efforts on maximizing value to customers by providing superior levels of service at a fair price while operating with high regard for industry standards and government regulations. This is the same organizational culture by which MDU Resources conducts its utility operations. Through steady growth and a commitment to quality service, Intermountain has positioned itself as an excellent natural gas distribution company contributing to the overall economic vitality of the State of Idaho.

IV. INFORMATION ABOUT MDU RESOURCES

I. Identity

MDU Resources was incorporated in 1924 under the laws of the State of Delaware. It is a publicly traded company (NYSE:MDU) with its principal place of

business at 1200 West Century Avenue, Bismarck, North Dakota.

MDU Resources has been engaged in the regulated utility business for over 80 years. MDU Resources, through its utility division Montana-Dakota Utilities Co. (Montana-Dakota), provides natural gas distribution service to approximately 235,000 customers in 144 communities in the states of North Dakota, South Dakota, Montana and Wyoming. Montana-Dakota also provides electric service to over 122,000 retail customers in 177 communities in North Dakota, South Dakota, Montana, and Wyoming. The electric operation is a vertically integrated utility which owns four generation plants and has an ownership interest in two additional generation facilities.

In July 2000, MDU Resources acquired and has since operated Great Plains Natural Gas Co. (Great Plains). Great Plains provides natural gas distribution service to approximately 22,000 customers in 19 communities in western Minnesota and southeastern North Dakota.

In 2007, MDU Resources acquired and has since operated Cascade Natural Gas Corporation (Cascade). Cascade provides natural gas distribution service to approximately 252,000 customers in 98 communities in Oregon and Washington.

More information regarding MDU Resources and its business units is available in the company's report on Form 10-K.

2. Financial Strength

A member of the S&P MidCap 400 Index, MDU Resources has the financial resources to successfully complete the proposed stock purchase and operate the combined companies. MDU Resources' assets exceeded \$5.8 billion as of March 31, 2008, its operating revenues the twelve months ending March 31, 2008 totaled approximately \$4.6 billion, and its operating income was \$457 million. MDU Resources' financial reports are contained in the company's 10-K

and 10Q reports filed with the United States Securities and Exchange Commission.

On a consolidated basis as of March 31, 2008, pro forma combined assets of MDU Resources and Intermountain would be approximately \$6.2 billion, and pro forma combined annual revenues would be approximately \$4.9 billion for the same period.

MDU Resources' corporate credit is currently rated BBB+ by Standard & Poor's ("S&P"), A3 by Moody's, and A- by Fitch.

MDU Resources is committed to complete the stock purchase without any financing conditions. MDU Resources has the financial strength to complete the acquisition and provide Intermountain with access to necessary capital at reasonable cost for safe, efficient, and reliable operation of its business.

3. Background of MDU Resources Key Personnel

The principal officers of MDU Resources, Montana-Dakota, Great Plains and Cascade are as follows:

Terry D. Hildestad, 58, is the President and Chief Executive Officer of MDU Resources. Mr. Hildestad was elected President of MDU Resources in 2005 and named Chief Executive Officer in 2006. Mr. Hildestad previously served as President and Chief Executive Officer of Knife River Corporation. He has been employed by the MDU Resources family of companies for 33 years.

Vernon A. Raile, 63, is Executive Vice President, Treasurer, and Chief Financial Officer of MDU Resources. Mr. Raile was named to these positions in 2006. He previously served as Vice President and Chief Accounting Officer. Mr. Raile has been employed by the MDU Resources family of companies for 27 years.

Paul K. Sandness, 54, is General Counsel and Secretary of MDU Resources. Mr. Sandness was named to this position in 2004 and has been

employed within the MDU Resources Legal Department for 27 years.

David L. Goodin, 46, is President and Chief Executive Officer of Montana-Dakota, Great Plains and Cascade. Mr. Goodin has been employed by the MDU Resources family of companies for 25 years.

Dennis L. Haider, 55, is Executive Vice President, Business Development and Gas Supply of Montana-Dakota and Great Plains. Mr. Haider has been employed by the MDU Resources family of companies for 29 years.

John F. Renner, 61, is Executive Vice President Finance and Chief Accounting Officer of Montana-Dakota and Great Plains. Mr. Renner has been employed by the MDU Resources family of companies for 23 years.

K. Frank Morehouse, 50, is Vice President – Operations of Montana-Dakota and Great Plains. Mr. Morehouse has been employed by the MDU Resources family of companies for 12 years.

Donald R. Ball, 60, is Vice President – Regulatory Affairs of Montana-Dakota and Great Plains. Mr. Ball has been employed by the MDU Resources family of companies for 38 years.

Andrea L. Stomberg, 55, is Vice-President-Electric Supply of Montana-Dakota. Ms. Stomberg has been employed by the MDU family of companies for 18 years.

Garret Senger, 47, is Controller for Montana-Dakota and Great Plains. Mr. Senger has been employed by the MDU family of companies for 25 years.

4. MDU Resources' Experience Operating Public Utilities

Montana-Dakota started in 1924 when a group of investors purchased the electric systems in a handful of farming communities along the North Dakota-Montana state line. By building a central power plant in Glendive, Montana, and stringing power lines to surrounding towns, the company was able to provide all-

day electrical service to communities in eastern Montana and western North Dakota.

In 1926, Montana-Dakota discovered natural gas in the Baker, Montana area, which provided a boiler fuel for its Glendive power plant. The company built a natural gas transmission line to Glendive and entered the natural gas distribution business by providing natural gas service to homes and businesses as well. This pattern of electric and natural gas expansion repeated itself over the next few decades. Montana-Dakota purchased and interconnected small electric companies and expanded the provision of natural gas service to other Montana, South Dakota and North Dakota communities and to the flanks of the Big Horn Mountains in northern Wyoming. Acquisition of gas supplies in newly discovered fields in Montana, North Dakota, and Wyoming enabled the company to expand natural gas distribution service around the region. In 1968, the company moved its headquarters from Minneapolis, Minnesota to Bismarck, North Dakota to be closer to its customer base.

In 1985, Montana-Dakota's corporate name was changed to MDU Resources Group, Inc. and Montana-Dakota Utilities Co. was established as a division of the corporation for operation of its natural gas and electric distribution utility business. At the same time, the company's interstate natural gas pipeline and storage facilities and natural gas production properties were transferred to wholly owned subsidiaries. Today, Williston Basin Interstate Pipeline Company operates over 3,350 miles of interstate natural gas pipeline and 340 miles of natural gas field and gathering lines within various production areas in North Dakota, South Dakota, Montana, and Wyoming. Its storage fields have a working capacity of approximately 193 billion cubic feet of natural gas. Its system is interconnected with nine other natural gas pipeline systems. Another

operating company, Bitter Creek Pipelines, LLC operates 1,600 miles of natural gas gathering lines in Montana, Wyoming, and Colorado.

In 2000, MDU Resources acquired Great Plains, which serves approximately 22,000 customers in 19 communities in western Minnesota and southeastern North Dakota. Like Montana-Dakota, Great Plains is operated as a division of MDU Resources, with its operational headquarters in Fergus Falls, Minnesota. Senior management for Great Plains is provided by Montana-Dakota, and certain services, such as legal and tax services, are provided by MDU Resources while other services, such as accounting and human resources, are provided by or shared with Montana-Dakota.

In 2007, MDU Resources acquired Cascade, which serves approximately 252,000 customers in 98 communities in Washington and Oregon. Cascade is operated as a subsidiary of MDU Resources, with its operational headquarters in Seattle, Washington. Senior management for Cascade is located in Seattle, Washington with executive support provided by Montana-Dakota. Other support services are provided by MDU Resources.

MDU Resources was named "2005 Utility of the Year" by Electric Light & Power magazine ("EL&P") in its November/December 2005 issue. According to EL&P, MDU Resources was chosen because it was built on an electric and natural gas utility foundation, and it follows a corporate strategy based on integrity and solid, conservative growth. MDU Resources was also ranked No. 18 on Public Utility Fortnightly's 2005 "Fortnightly 40" and No. 16 on its 2006 "Fortnightly 40," the magazine's Top 40 list of the best energy companies in America. The "Fortnightly 40" is a financial ranking of electric and gas utilities, pipeline and distribution companies and describes its list as "a benchmark that highlights the industry's leading companies – its brightest stars proven in performance and exceptional corporate management." In 2007, *Forbes*

Magazine, for the eighth straight year, named MDU Resources among its Platinum 400 list of best big companies in America, based on considerations including corporate governance, sales and earnings growth, total return to shareholders, and debt to capital ratios.

The natural gas distribution operations of Montana-Dakota, Great Plains and Cascade resemble those of Intermountain in many respects, which strengthens MDU Resources' assurances that Intermountain will continue to operate in relatively the same manner as it does today. Montana-Dakota, Great Plains, and Cascade serve a mixture of residential, commercial, and industrial service customers and the companies have a history of being safe and reliable service providers at reasonable and stable prices. The combination of these utility operations and personnel provide the opportunity for benefits to each utility system.

V. MDU RESOURCES' PLANS FOR OPERATING INTERMOUNTAIN

MDU Resources plans to own Intermountain for the long term and, because of the nature of this stock purchase, will continue to operate Intermountain under the name Intermountain Gas Company. MDU Resources believes that Intermountain is currently providing exceptional customer service in a cost-effective manner. MDU Resources plans to maintain continuity in the operations of Intermountain, while looking for opportunities to improve customer service and to increase efficiencies through the sharing of "best practices" and the consolidation of certain corporate and administrative functions.

MDU Resources plans to maintain the operational headquarters of Intermountain in Boise, Idaho. Except for several shared corporate functions and administrative functions, the management of Intermountain will remain located in Idaho, and Idaho personnel will be authorized to represent and bind Intermountain in its dealings with its customers, regulators and suppliers.

Intermountain will also continue to maintain a strong operational presence in the communities it serves.

MDU Resources is committed to Intermountain's focus on its core operations. MDU Resources does not anticipate the sale of any operational assets used in Intermountain's business.

MDU Resources, through its divisions Montana-Dakota and Great Plains, and subsidiary Cascade, has extensive experience operating both natural gas and electric utilities. Moreover, like Intermountain, MDU Resources has experience with operations that serve populations that are distributed over a wide geographic area. MDU Resources intends to seek opportunities with Intermountain to share their best practices to maintain and improve customer service and the efficiency of MDU Resources' utility operations.

1. MDU Resources' Ownership of Intermountain is in the Public Interest

MDU Resources believes that its proposed acquisition of Intermountain will not expose Intermountain's customers to any risk of harm and MDU Resources submits that the acquisition will provide benefits to Intermountain's customers. The transaction will produce the following benefits for Intermountain's customers:

- Intermountain will benefit from the financial strength of MDU Resources;
- MDU Resources will consolidate certain corporate and administrative functions, achieve operational efficiencies, and improve purchasing power which should lead to prices that are lower than they otherwise would have been without the transaction;
- MDU Resources will utilize its best utility practices, where applicable, at Intermountain;
- Apart from the improvements identified above, Intermountain will continue to operate in much the same way as it does today; and

- MDU Resources will maintain and enhance Intermountain's commitment to its employees and the communities it serves.

a. Financial strength

MDU Resources believes that Intermountain will benefit from its acquisition by MDU Resources in that MDU Resources' size and financial strength will enable Intermountain to have adequate capital for utility operations and gain potential cost efficiencies to meet expansion requirements. These benefits flow from the decreased risk resulting from being part of a large, financially stable enterprise.

b. Combination of corporate functions

MDU Resources does not believe that there are many operational synergies that would lead to a reduction in Intermountain's operating expenses. MDU Resources, however, believes there are opportunities for long-term efficiencies through the combination of administrative and support functions with those of its existing operations. MDU Resources hopes to achieve cost savings in the corporate, administrative and support areas where two separate companies would have overlap or duplication as stand-alone entities.

Given the early stage of this transaction and the limited access that MDU Resources will have to Intermountain's business prior to the closing and the fact that many of the consolidations will occur over a period of time, MDU Resources is unable to determine or quantify the amount of potential cost savings that may reasonably be achieved, which may be offset to some extent by allocated costs of MDU Resources for the provision of shared executive and administrative services. Nevertheless, it is MDU Resources' expectation that the combination of certain corporate functions will lead to expenses for Intermountain that are lower than they otherwise would be without the transaction, thus helping to offset the ongoing cost of inflation.

c. Introduction of best utility practices

The natural gas distribution operations of Montana-Dakota, Great Plains and Cascade resemble those of Intermountain in many respects in that they all serve a mixture of residential, commercial, and industrial service customers distributed over a wide geographic area. MDU Resources and Intermountain are committed to sharing best practices to enhance customer service and to enhance the efficiency of Intermountain's operations, thereby potentially lowering operating and administrative expenses and mitigating future cost increases.

As an example, MDU Resources anticipates that Intermountain employees will be given the option to participate in MDU Resources' health care program – which currently has 6,000 participants – which may also provide opportunities for lower costs for Intermountain's operation through participation in a larger organization.

d. Continuity of business

MDU Resources intends to operate Intermountain in much the same way as it is currently being operated. MDU Resources is committed to maintaining adequate staffing and presence in Idaho. The Commission will continue to have access to Intermountain's books, records, and employees in Idaho. MDU Resources recognizes and values the positive relationships that Intermountain has built with its regulators and is committed to maintaining them. The Commission's continued regulatory oversight over Intermountain ensures that customers will suffer no harm from the transaction.

e. Commitment to communities and employees

MDU Resources will continue, and will enhance, Intermountain's contributions and commitment to the communities and state it serves. MDU Resources will maintain Intermountain's operational headquarters in Boise, Idaho. MDU Resources will maintain at least Intermountain's current level of

charitable contributions in Idaho. Some of these contributions may be made directly by Intermountain. In addition, qualified entities in Idaho will be eligible to apply for grants from the MDU Resources Foundation, which made \$1.86 million in donations and contributions in 2007 to qualified charities and organizations located within the communities that MDU Resources' businesses serve. The Foundation's level of grants is expected to total nearly \$2.06 million in 2008. The Foundation also provides scholarships to deserving students of employees of MDU Resources' business units, and the utility divisions annually make grants to qualified 501(c)(3) organizations for environmental improvement projects in the service areas of the utility divisions.

MDU Resources' commitment extends to Intermountain's employees. MDU Resources intends to honor all existing agreements with Intermountain employees and to work to maintain and expand constructive relationships with labor unions representing Intermountain's employees, including safety and training initiatives. MDU Resources contracts with the Great Place to Work[®] Institute and surveys the employees of each of its business units every other year to measure and work to improve its employees' experience in the workplace. MDU Resources has not experienced a union work stoppage in over thirty years, since 1975. MDU Resources places a particular emphasis on employee safety. During the last five years, Montana-Dakota's and Great Plains' average OSHA recordable injury frequency rate has been 3.5 while the national average for the gas and electric distribution industry has been 5.6.

f. Conditions to protect Intermountain's customers


Intermountain will not request rate recovery of the transaction costs associated with the acquisition nor will it seek recovery of the purchase premium except to the extent integration synergies from the transaction are also passed through retail rates.

MDU Resources will ensure that Intermountain's customers are not exposed to the financial risks of MDU Resources' other businesses. These include positioning Intermountain as a subsidiary of MDU Resources which will protect Intermountain from the risks associated with the operations of MDU Resources' unregulated operations which are held by a separate subsidiary - Centennial Energy Holdings, Inc. A diagram showing the organizational structure of MDU Resources upon closing of the transaction is included as Appendix 1. The organizational structure by which Intermountain will continue to exist and operate as a separate entity assures the Commission's ability to review and audit accounting records, prevents cross-subsidization between regulated and non-regulated businesses and provides for corporate and affiliate cost allocation methodologies reviewable by the Commission.

VI. CONCLUSION

MDU Resources looks forward to being a responsible and committed owner of Intermountain Gas Company for many years to come. MDU Resources believes that its stock acquisition of Intermountain will bring benefits to Intermountain's Idaho customers and the public generally. The transaction will be transparent and will not significantly change the operations of Intermountain or negatively impact the provisions of service to its customers. No rate changes are proposed as a result of the transaction. Intermountain and its customers will benefit from being a part of a larger, financially secure enterprise. MDU Resources looks forward to bringing its knowledge and experience in operating similar utilities to bear upon Intermountain's operations to maintain and enhance the quality and efficiency of the service provided to Intermountain's customers

DATED: July 9, 2008.

By 

Michael P. McGrath
Director
Gas Supply & Regulatory Affairs
Intermountain Gas Company

By 

Donald R. Ball
Vice President – Regulatory Affairs
Montana-Dakota Utilities Co.

MDU Resources Group, Inc.
Utility Divisions and Primary Subsidiaries
Post-Acquisition Summary Organizational Chart

